



United States  
Department of  
Agriculture

Farmers  
Home  
Administration

Washington  
D.C.  
20250

April 10, 1991

FmHA AN No 2273 (1955)

SUBJECT: Leasing Farm Inventory Property

TO: State Directors, District Directors and  
County Supervisors

ATTN: Farmer Programs Chiefs

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to clarify the policy and procedure for the management and leasing of Farmers Home Administration (FmHA) acquired farm inventory property. The intended outcome is to ensure that leases are approved only when the lease would clearly be in the best interest of the Government.

COMPARISON WITH PREVIOUS AN:

This AN replaces and updates AN No. 2035(1955) which expired on December 31, 1990.

IMPLEMENTATION RESPONSIBILITIES:

Section 1955.66 of FmHA Instruction 1955-B, states that leasing of farm inventory property can be used as a management tool when it is clearly in the best financial interest of the Government. The State Director will make this determination on a case by case basis. Attachment 1 to this AN can be used as a guide in making this type of determination.

Other similar guides may be developed by your State to analyze the cost/benefits associated with the leasing of FmHA farm inventory property.

EXPIRATION DATE: February 29, 1992

Filing Instructions:  
Preceding FmHA  
Instructions 1955-B



Farmers Home Administration is an Equal Opportunity Lender.  
Complaints of discrimination should be sent to:  
Secretary of Agriculture, Washington, D.C. 20250

THE ABOVE DETERMINATION DOES NOT APPLY IN THE FOLLOWING:

1. Parties who exercise their leaseback/buyback rights as set forth in Section 1951.911(a) of FmHA Instruction 1951-S.
2. Parties who lease property in accordance with Section 1955.911(b) of FmHA Instruction 1951-S, dealing with the Homestead Protection Program.
3. Nonfarm property or dwellings are not required to be evaluated to determine leasing costs.
4. Renewal or extension of existing leases in cases where the lease gives the tenant the option to renew or extend.

When it has been determined that a farm can be leased, the farm's availability must be advertised in accordance with Section 1955.66(i) of FmHA Instruction 1955-B. The County Supervisor will select the lessee of the farm property as outlined in Section 1955.66(c) of FmHA Instruction 1955-B.

Form FmHA 1955-20, "Lease of Real Property," or other forms approved by the Office of the General Counsel, will be used when entering into a lease of FmHA farm inventory property. FmHA WILL NOT ALLOW THE USE OF FARM PROPERTY WITHOUT A SIGNED AND DATED LEASE AGREEMENT.

Farm property will be leased for an amount which reflects the typical market rent(s) as documented in the County Office operational files. As a minimum, the average yields for each crop grown in the county, customary crop share and cash lease rates per acre for pasture and cropland must be well documented in the operational files. Caution must be exercised in determining the typical rent on those properties which contain acreage in the conservation reserve program.

In addition, inventory farms leased on a crop share basis must include documentation in the file that the County Supervisor has verified the yield and received the entitled share of the crop income.

The FmHA leasing official is responsible for ensuring that the agreed lease amount is promptly remitted by the lessee, and that the property is being operated in a manner consistent with the agreed upon lease covenants.

If you have any questions, please contact Gary West of Farmer Programs Loan Servicing and Property Management Division at 382-1976.

  
LA VERNE AUSMAN  
Administrator

Attachment

Sent by time delay Option to States at 12:00 on 4/17 to  
Districts at 2:00 on 4/17 and Counties at 4:00 on 4/17 by ASD.

INVENTORY FARM LEASE DETERMINATION WORKSHEET

This worksheet is to be used only to determine whether or not leasing an inventory farm is in the Government's best interest, as specified in FmHA Instruction 1955-B. All costs and income should be calculated on an annual basis.

Property ID# \_\_\_\_\_ Period of Lease \_\_\_\_\_  
Formerly owned by: \_\_\_\_\_

A. ANTICIPATED INCOME FROM AGRICULTURAL LAND

1) crop acres \_\_\_\_\_ x rental rate/acre \_\_\_\_\_ = \_\_\_\_\_  
2) percent crop \_\_\_\_\_ \*estimated value \_\_\_\_\_ = \_\_\_\_\_  
share  
3) pasture units \_\_\_\_\_ x rental rate/unit \_\_\_\_\_ = \_\_\_\_\_  
4) other \_\_\_\_\_ x rental rate/unit \_\_\_\_\_ = \_\_\_\_\_  
describe other \_\_\_\_\_  
5) TOTAL (A1 + A2 + A3 + A4) \_\_\_\_\_ = \_\_\_\_\_  
\*document on reverse

B. ESTIMATED GOVERNMENT LEASING COST

\*\*1) Total Deficiency Payments \_\_\_\_\_  
\*\*2) Total Diversion Payments \_\_\_\_\_  
\*\*3) Prorated Costs of  
Conservation Practices \_\_\_\_\_  
\*\*4) Management Fees \_\_\_\_\_  
\*\*5) Annual Land Maintenance \_\_\_\_\_  
\*\*6) Other Costs/Fees \_\_\_\_\_  
\*\*7) Total (B1+B2+B3+B4+B5+B6) \_\_\_\_\_

C. ESTIMATED COSTS

: IF NOT LEASED  
: 1) Prorated Costs  
: of Conservation  
: Practices \_\_\_\_\_  
: 2) Annual Land  
: Maintenance \_\_\_\_\_  
: 3) Management  
: Fees \_\_\_\_\_  
: 4) TOTAL  
: (C1+C2+C3) \_\_\_\_\_  
:

\*\*From Form CCC-4776,  
obtained from ASCS

D. SUMMARY

1) NET INCOME (A5-B7) \_\_\_\_\_ 2) COSTS IF NOT LEASED (C4)- \_\_\_\_\_

\_\_\_\_\_ Line D1 is larger than D2, leasing is in the best financial  
interests of the Government.

\_\_\_\_\_ Line D2 is larger than D1, leasing will result in a net  
cost, the farm will not be leased.

Prepared By \_\_\_\_\_  
Name/Title

Date \_\_\_\_\_